

Message Text

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43

ACTION EA-14

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SUBJ: PUAJ ON THAI ECONOMY

1. AT WELLATTENDED MONTHLY LUNCHEON OF AMCHAM APRIL 17, DR. PUAJ, NEWLY APPOINTED CHAIRMAN OF ECONOMIC ADVISORY COUNCIL TO PRIME MINISTER, WAS FEATURED SPEAKER. SUBJECT CHOSEN WAS THAI ECONOMY.

2. ASIDE FROM ELABORATION IN EXTENDED INTRODUCTION OF POINT THAT PERIOD PRIOR TO 1972 HAD BEEN MARKED BY SATISFACTORY GROWTH COMBINED WITH STABILITY, PUAJ MADE FOLLOWING REMARKS OF MAJOR INTEREST:

A. INFLATION INCREASED SHARPLY IN 1973, BEING 15.5 PERCENT FOR CONSUMER PRICES AND 22.8 PERCENT FOR WHOLESALE. SUCH INCREASES UNHEARD OF IN THAILAND.

B. MAJOR CAUSES WERE THE HIGHER PRICE FOR IMPORTS AND EXPORTS, AND A TOO LARGE VOLUME OF RICE EXPORTED IN 1972 (OVER TWO MILLION TONS). OIL PRICES INCREASES HAVE BEEN RESULT OF EXTERNAL FACTORS, (" I CAN'T EVEN BLAME THE AMERICAN AMBASSADOR," WHO WAS PRESENT), AND THAILAND

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CAN DO LITTLE MORE THAN IMPROVE ON OIL DISTRIBUTION.

CHAOS IN EXCPUNGE RATES HAS ALSO CONTRIBUTED, ALTHOUGH THE BAHT HAS REMAINED GENERALLY STABLE.

C. FOR 1974 THE PROBLEMS ARE: CONTINUING UNCERTAINTY ABOUT ECONOMIC CONDITIONS WITH RICE AND OIL AS MAIN CAUSES FOR INFLATION; PRICE INCREASES FOR OIL ARE INEVITABLE AND GOVERNMENT MUST AVOID GIVING EMPTY PROMISES RATHER THAN ACCEPTING HARD FACTS; OIL PRICES MUST BE STABILIZED EVEN IF SUBSIDIES BECOME NECESSARY; PRICE OF RICE SHOULD STABILIZE AT LEVEL FAIR TO FARMERS AND CONSUMERS AS GOVERNMENT NOW HAS ADEQUATE TOOLS, BUT TWO OR THREE DIFFERENT PRICES FOR RICE REPRESENT FOOLISHNESS.

D. BASIC QUESTION IS WHO WILL BEAR THE BRUNT OF THE PRICE INCREASES? WORKERS AND SALARIED PEOPLE ARE ENTITLED TO AT LEAST SAME STANDARD OF LIVING AS BEFORE INFLATIONARY SURGE. BUT STABILITY IS ESSENTIAL FOR 1974 AND NEXT GOVERNMENT MUST ADDRESS ISSUE OF SOCIAL JUSTICE. WORKERS WOULD BE JUSTIFIED IN ASKING FOR A 15-20 PERCENT WAGE INCREASE; SOME WANT 50 PERCENT, BUT THIS LEVEL OF INCREASE WOULD START A SPIRAL OF WAGE-PRICE INCREASES.

E. UNDER THE CIRCUMSTANCES DESCRIBED, THE GOVERNMENT HAS A RIGHT TO DEMAND THAT PRIVATE SECTOR EXERCISES MODERATION IN PURSUIT OF PROFITS. EXPRESSED HOPE THAT PM AND OTHER MINISTERS WOULD SOON TALK TO ALL BUSINESSMEN ALONG THIS LINE. ESSENTIAL THAT ALL ECONOMIC GROUPS WORK TOGETHER.

F. ECONOMIC PICTURE IS NOT ALL DARK. TERMS OF TRADE HAVE MOVED IN THAILAND'S FAVOR. EXTRA OIL BILL OF \$400 MILLION FOR 1974 AND PERHAPS A LITTLE MORE FOR 1975 WON'T AFFECT BALANCE OF PAYMENTS TOO SEVERELY, AND THAILAND HAS SUBSTANTIAL FOREIGN EXCHANGE RESERVES.

3. PRESS HAS ANNOUNCED THAT DR. PUAJ WILL APPEAR ON TELEVISION WITH PM SANYA ON APRIL 24 ON PROGRAM DEVOTED TO THAILAND'S ECONOMIC PROBLEMS AND THE REMEDIES FOR THEM. PRESENTATION BY PUAJ IS LIKELY TO BE ALONG SAME LINES
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OF THAT GIVEN TO AMCHAM. AT A LABOR EDUCATION MEETING ATTENDED BY THE PM ON APRIL 14, DR. PUAJ WAS MAIN SPEAKER, AND THE THEME AGAIN WAS STATE OF ECONOMY AND WHAT TO DO ABOUT IT. EMBASSY OFFICER PRESENT NOTED KEEN INTEREST OF WORKER REPRESENTATIVES AND OBVIOUS HIGH REGARD THEY HAD FOR PUAJ.
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